

RIT Kosovo (A.U.K) – College

**Financial Statements prepared in accordance with
International Financial Reporting Standards**

For the year ended 30 June 2020

Contents

- Independent auditor’s report i
- Statement of financial position.....1
- Statement of surplus or deficit.....2
- Statement of cash flows.....3

- 1. General information 4
- 2. Significant accounting policies 4
- 3. Critical accounting estimates and judgments 8
- 4. New accounting pronouncements 9
- 5. Property and equipment 9
- 6. Accounts receivable and other assets 10
- 7. Cash and cash equivalents..... 11
- 8. Scholarship fund 11
- 9. Deferred income: Tuition fees 11
- 10. Accounts payable and accrued expenses..... 12
- 11. Fee income 12
- 12. Income from special programs and other income 12
- 13. Grants and donations income 12
- 14. Interest income 12
- 15. Staff salaries and benefits..... 13
- 16. Academic consulting fees 13
- 17. Training and Development Institute Direct costs (‘TDI’)..... 13
- 18. Other operating expense..... 13
- 19. Germia campus premisees..... 14
- 20. Financial risk management 14
- 21. Fair value disclosures..... 16
- 22. Contingencies and commitments 17
- 23. Related parties..... 17
- 24. Events after the reporting period..... 17



Independent Auditor's Report

To the Board of Trustees of RIT Kosovo (A.U.K) College:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RIT Kosovo A.U.K. College (the "Organization") as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at 30 June 2020;
- the statement of surplus or deficit for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements of the Kosovo Council for Financial Reporting ("KCFR") that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KCFR.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Kosovo Sh.p.k.

PricewaterhouseCoopers Kosovo SH.P.K.

17 September 2020

Prishtina, Kosovo

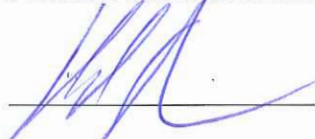
RIT Kosovo (A.U.K) – College
Statement of financial position for the year ended

(amounts in EUR, unless otherwise stated)

	Notes	30 June 2020	30 June 2019
Assets			
Non-current assets			
Property and equipment	5	6,637,473	6,835,611
Total non-current assets		6,637,473	6,835,611
Current assets			
Accounts receivable and other assets	6	151,781	194,480
Accounts with AUKF-NY	7	938,336	1,488,656
Deposits with banks	7	970,692	421,505
Cash and cash equivalents	7	758,411	419,484
Total current assets		2,819,219	2,524,125
Total assets		9,456,693	9,359,736
Reserves			
Reserves		2,314,385	2,217,090
Total reserves		2,314,385	2,217,090
Liabilities			
Non-current liabilities			
Deferred income: Donated assets	5	6,302,649	6,445,634
Total non-current liabilities		6,302,649	6,445,634
Current liabilities			
Scholarship fund payable	8	162,010	204,312
Deferred Revenue: Tuition fees	9	567,236	381,662
Accounts payable and accrued expenses	10	110,413	111,038
Total current liabilities		839,659	697,012
Total liabilities		7,142,308	7,142,646
Total reserves and liabilities		9,456,693	9,359,736

These financial statements were approved for issuance by the Board of Trustees and signed on its behalf on 17 September 2020:

Mr. Kamal Shahrabi
 President and Dean of Faculty



Mrs. Flutra Pushka Emini
 Chief Finance and Administration Officer



RIT Kosovo (A.U.K) – College
Statement of surplus or deficit for the year ended

(amounts in EUR, unless otherwise stated)

	Notes	30 June 2020	30 June 2019
Income			
Fee income	11	2,350,741	2,519,923
Income from special programs and other income	12	341,354	547,930
Grants and donation income	13	183,365	133,208
Interest income	14	2,297	6,465
Total income		2,877,757	3,207,526
Expenses			
Staff salaries and benefits	15	(1,156,448)	(1,380,101)
Academic consulting fees	16	(761,709)	(783,763)
Training and Development Institute Direct costs ('TDI')	17	(147,770)	(205,996)
Other operating expenses	18	(707,973)	(797,696)
Allowances for doubtful receivables	6	(41,047)	(44,668)
Foreign exchange gains/(losses), net		34,486	31,711
Total expenses		(2,780,461)	(3,180,513)
Net surplus for the year		97,296	27,013
Other comprehensive income		-	-
Total comprehensive surplus for the year		97,296	27,013

RIT Kosovo (A.U.K) – College
Statement of Cash Flows for the year ended

(amounts in EUR, unless otherwise stated)

	Notes	30 June 2020	30 June 2019
Cash flows from operating activities			
Net surplus for the year		97,296	27,013
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	290,531	218,900
(Gain)/Loss from disposal of property and equipment		(70)	(1,414)
Allowance for impairment of receivables		35,328	43,576
Recoveries of bad debts during the year		(6,100)	(18,286)
Interest income		(2,297)	(6,465)
		414,688	263,324
Operating cash flows before working capital changes			
Change in accounts receivable and other assets		13,471	6,139
Change in deferred income: Donated assets		(142,985)	(68,973)
Change in scholarship fund		(42,302)	13,703
Change in deferred tuition fees		185,574	104,158
Change in accounts payable and accrued expenses		(625)	(5,208)
Net cash from operating activities		427,821	313,143
Cash flows used in investing activities			
Purchases of property and equipment		(92,724)	(215,878)
Proceeds from disposal of property and equipment		400	5,650
Interest received		2,297	6,465
Net cash used in investing activities		(90,027)	(203,763)
Net change in cash and cash equivalents		337,794	109,380
Cash and cash equivalents at the beginning of the year	7	2,329,645	2,220,265
Cash and cash equivalents at the end of the year	7	2,667,439	2,329,645

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 30 June 2020 for RIT Kosovo (A.U.K) College (“RIT Kosovo (A.U.K)” or the “Organization”).

RIT Kosovo (A.U.K) College (“RIT Kosovo (A.U.K)”), previously named A.U.K - The American College of Kosova – A.U.K, is a non-profit organization registered as a Non-Governmental Organization (“NGO”) on 8 May 2002 under United Nations Interim Administration Mission in Kosovo (“UNMIK”) in accordance with Regulation No. 1999/22 on “the Registration and Operations of Non – Government Organizations in Kosovo”, which was further replaced with the Law No. 04/L-57 “On Freedom Of Association In Non-Governmental Organizations” entered into force since 29 August 2011.

RIT KOSOVO (A.U.K) was founded for the purpose of establishing and supporting the operation of the American College in Kosovo. The Union Fund for the Reconstruction of Kosovo (“UFORK”) provided the initial funding for RIT Kosovo (A.U.K). RIT Kosovo (A.U.K) has established a four-year program in English language which is accredited in Kosovo. RIT KOSOVO (A.U.K) offers studies in collaboration with Rochester Institute of Technology (“RIT”), which is accredited in the United States of America. The Board of Trustees of RIT Kosovo (A.U.K) is composed of thirteen members.

Registered address and place of operation. The entity’s registered address is Shpëtim Robaj Street NN, 10000 Pristina, Republic of Kosovo.

Presentation currency. These financial statements are presented in Euro (‘EUR’), which is the Organization’s functional currency. Euro is the national currency in Kosovo.

2. Significant accounting policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. Management relied on their own judgment when applying the accounting policies of the Organization. The elements of the financial statements whose presentation includes higher degree of judgement or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 3.

Foreign currency translation. The functional currency of the Organization is the currency of the primary economic environment in which the entity operates. The functional currency and presentation currency of the Organization is Euro (‘EUR’), which is the primary currency in the Republic of Kosovo since 1 January 2002.

Transaction and balances. Foreign currency transactions are transactions undertaken by the Organization other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

2. Significant accounting policies (continued)

Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

ii. Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organization, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss using the reducing balance method, and the depreciation rates are as follows:

• Donated assets (land and building)	50 years
• Leasehold improvements	10 years
• Computers and related equipment	3 years
• Laptops	4 years
• Furniture, fixtures and equipment	5 years
• Vehicles	5 years

The premises of the campus together with the land where they are located and leasehold improvements are depreciated over 50 years and 10 years, respectively, which is the shorter of the lease term and their useful lives. In determination of the useful lives of the property and equipment, the Organization considers the technological aspects of the equipment and the fact that it operates in an industry where technology advancements are rapid and continuously developing. The useful lives, depreciation methods, and residual values if significant, are reviewed at each reporting date and revised if appropriate.

Intangible assets. Intangible assets acquired by the Organization are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets of 3 years.

Financial instruments key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

2. Significant accounting policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flow of variable interest instruments to the next interest reprising date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(i) Recognition

Financial instruments of the Organization are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price on the trade date i.e. date at which the Organization becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Organization derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Organization is recognised as a separate asset or liability.

On the other hand, the Organization derecognizes financial liabilities when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(iii) Offset

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Organization has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only for the presentation of gains or losses from a group of similar transactions.

(iv) Measurement

Financial instruments of RIT Kosovo (A.U.K) comprise: (1) cash and cash equivalents; (2) trade and other receivables; and (3) trade and other payables

2. Significant accounting policies (continued)

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Grants related to assets. RIT Kosovo (A.U.K) has elected to treat “Germia campus” which is used by RIT Kosovo (A.U.K) as the educational facility (see note 19), as government grant in the form of a non-monetary asset. RIT Kosovo (A.U.K) measures both the item of property and the land at nominal value. Asset-linked grants are presented on the statement of financial position as deferred income. Deferred income is recognized as income on a systematic and rational basis over the lifetime of the use of the related assets. Other grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and RIT Kosovo (A.U.K) will comply with the conditions associated with the grant; they are then recognised in profit or loss as income from donated assets on a systematic basis over the useful life of the asset. Grants that compensate the RIT Kosovo (A.U.K) for expenses incurred are recognised in profit or loss as Grant income on a systematic basis in the periods in which the expenses are recognised.

Scholarship fund. RIT Kosovo (A.U.K) is the custodian of various scholarship funds provided by governmental and non-governmental organisations. The funds are awarded to students qualifying for scholarships under the criteria set out by the donors. The funds are initially recognized at their fair value and presented as liabilities in the statement of financial position, they are then recognised in surplus or deficit as tuition income on a systematic basis over the period of scholarship awarded to students.

Prepayments. Prepayments are carried at cost less provision for impairment, if any. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Organization has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Organization. Other prepayments are written off to surplus or deficit when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Revenue recognition. Revenue is income arising in the course of the Organization’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for rendering promised services to a student.

Revenue is recognised net of discounts.

Services – tuition fees

Revenue from tuition fee is recognised in surplus or deficit over the period of the relevant tuition course in proportion to the stage of completion of the transaction at the reporting date.

Services – training and development institute

Training and Development Institute (“TDI”) is a continuing education department within RIT Kosovo (A.U.K) offering professional development of individuals, advancement of learning methods and contents, business support, linking of university expertise with business community and certification of skills with international recognized standards. Revenue from training and development institute is recognised in surplus or deficit over the period of the courses organized in proportion to the stage of completion of the transaction at the reporting date.

2. Significant accounting policies (continued)

Grant income

Grants are recognised in surplus or deficit on a systematic basis over the periods in which the Organization recognises as expenses the related costs for which the grants are intended to compensate.

The way a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability towards the counterparty.

Services – others

Revenue from dorms, rent, donated assets etc. are recognised in surplus or deficit over the period the services are provided in proportion to the stage of completion of the transaction at the reporting date.

Financial income and costs. Finance income comprises interest income on balances with banks. Interest income is recognized as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Employees Benefits. The Organization only makes contributions to the publicly administered pension plan. The Kosovo Pension Saving Trust (KPST), as required by the law. RIT Kosovo (A.U.K) has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Provisions. Provision is recognised if, as a result of a past event, RIT Kosovo (A.U.K) has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Taxes. RIT Kosovo (A.U.K) was established as a non-profit organisation and was granted public benefit status. Based on the laws in force in Kosovo, it is exempted from corporate taxation and value added tax.

3. Critical accounting estimates and judgments

The Organization makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of trade and other receivables. RIT Kosovo (A.U.K.) applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all tuition fees receivable.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over 4 years period, while all students were considered as a group who share similar credit risk characteristics. The corresponding historical credit losses experienced within this period for student category is then calculated.

The credit loss allowance for tuition fees receivable is determined according to provision matrix, the loss rates and expected credit losses are presented in the table below. The provision matrix is based on the number of days that an asset is past due, the effect of forward-looking information is considered as insignificant.

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

3. Critical accounting estimates and judgements (continued)

Tuition receivables	Loss rate	Gross carrying amount	Lifetime ECL
Not past due	7.7%	-	-
1 – 30 Days past due	13.9%	-	-
31 – 90 Days past due	34.0%	29,903	10,170
91 – 180 Days past due	57.7%	74,308	42,858
181 – 360 Days past due	100%	29,968	29,968
Over 360 days past due	100%	183,496	183,496
Total		317,675	266,492

4. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 July 2020 or later, and which the Organization has not early adopted.

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Organization's financial statements.

5. Property and equipment

	Land and building	Leasehold improvements	IT equipment	Furniture & equipment	Vehicles	Laptops	Total
<i>Cost</i>							
As at 1 July 2018	-	948,523	435,892	152,466	40,364	560,309	2,137,554
Additions	6,464,519	60,867	86,741	15,564	-	102,200	6,729,891
Write offs and disposals	-	-	-	-	-	(348,358)	(348,358)
As at 30 June 2019	6,464,519	1,009,390	522,633	168,030	40,364	314,151	8,519,087
Additions	-	-	4,939	4,264	-	83,520	92,724
Disposals	-	-	-	(3,078)	-	(45,717)	(48,795)
As at 30 June 2020	6,464,519	1,009,390	527,572	169,216	40,364	351,954	8,563,016
<i>Accumulated depreciation</i>							
As at 1 July 2018	-	835,114	402,506	110,466	20,797	435,973	1,804,856
Charge for the year	64,645	22,205	32,547	15,895	4,379	79,229	218,900
Write offs and disposals	-	-	-	-	-	(340,280)	(340,280)
As at 30 June 2019	64,645	857,319	435,053	126,361	25,176	174,922	1,683,476
Charge for the year	129,290	19,997	40,068	16,066	4,382	80,727	290,531
Disposals	-	-	-	(3,078)	-	(45,387)	(48,465)
As at 30 June 2020	193,935	877,316	475,121	139,349	29,558	210,261	1,925,542
<i>Net book value</i>							
As at 30 June 2019	6,399,874	152,071	87,580	41,669	15,188	139,229	6,835,611
As at 30 June 2020	6,270,584	132,074	52,451	29,867	10,806	141,692	6,637,474

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

5.1. Deferred income related to donated assets

	Year ended 30 June 2020	Year ended 30 June 2019
Balance as at 1 July	6,445,634	594
Donation received during the year	-	6,514,013
Release to income during the year	(142,985)	(68,973)
Balance as at 30 June	6,302,649	6,445,634

From 1 January 2019, following a decision taken from the Assembly of the Municipality of Prishtina, to renew the Organizations right to use the premises of the Campus for another 50 years, management decided to revise the nominal value of the Land and Building based on the valuation report performed by an independent external valuation specialist. Previously, the nominal value of the asset was measured to be zero.

From 1 January 2019 the revised nominal value of the Land and Premises of the Campus in amount of EUR 6,514,013 is reduced each year by the depreciation amount calculated on a straight-line basis over 50 years.

6. Accounts receivable and other assets

	30 June 2020	30 June 2019
Tuition fees receivable	317,675	280,790
Training and Development Institute (“TDI”) receivables	21,609	48,097
Donation receivables	-	6,100
Advances	34,812	72,006
Other receivables	38,077	18,651
Total gross receivables	412,173	425,644
Allowance for expected credit losses	(266,492)	(249,459)
Recoveries of previously written off receivables	6,100	18,295
Total net receivables	151,781	194,480

Allowance for expected credit losses is related to tuition, TDI, donation and other receivables.

The ageing of tuition fees receivable is as follows:

	30 June 2020	30 June 2019
Not past due	-	-
Between 1 and 30 days past due	-	98
Between 31 and 90 days past due	29,903	6,518
Between 91 and 180 days past due	74,308	64,700
Between 181 and 360 days past due	29,968	25,965
More than 360 days past due	183,496	183,509
Total gross receivables from tuition	317,675	280,790
<i>Less: Allowance for Expected Credit Losses</i>	(260,392)	(231,164)
Receivables from tuition, net	57,283	49,626

Details in regards of the method used and provision rates for impairment of trade receivables are disclosed in Note 3. Movement in the impairment provision for trade and other receivables is as follows:

	30 June 2020	30 June 2019
Balance at beginning of the year	231,164	183,508
Impact of IFRS 9 implementation	-	35,005
Impairment charge for the year	41,047	44,668
Recoveries for the year	(6,100)	(18,295)
Amounts written-off: tuition fees	(5,719)	(1,082)
Amounts written-off: TDI income	-	(12,640)
Balance at the end of the year	260,392	231,164

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

7. Cash and cash equivalents

Cash balances of RIT Kosovo (A.U.K.) as of 30 June 2020 and 30 June 2019 are comprised as follows:

<i>In EUR</i>	30 June 2020	30 June 2019
Cash at banks	732,964	375,614
Cash at local banks – AUKF Inc.	25,145	41,610
Cash on hand	301	2,260
Cash and balances with banks	758,411	419,484
Deposits with original maturity up to three months	970,692	421,505
Accounts with AUKF – NY	938,336	1,488,656
Total cash and cash equivalents	2,667,439	2,329,645

Accounts with AUKF-NY represent liquid funds deposited in the USA. The Organization has access to use such balance.

Deposits of RIT Kosovo (A.U.K.) as of 30 June 2020 and 30 June 2019 are comprised as follows:

	30 June 2020	30 June 2019
Flexi deposits with TEB	970,692	420,502
Flexi deposits with RBKO	-	1,003
Total	970,692	421,505

Cash and cash equivalents at banks consist of flexi and current accounts held with some of the largest local and international banks.

The credit risk rating of international banks has been presented in the table below, while for local banks which are part of international banking groups, credit risk rating of their respective banking group is presented.

Bank	Group Company	Rating Agency	Long – term credit rating	Outlook
Raiffeisen Bank Kosovo	Raiffeisen Bank International AG	Standard and Poor's	BBB+	Positive
TEB Bank	TEB A.Sh	Fitch	AA	Stable
ProCredit Bank Kosovo	ProCredit Holding	Fitch	BBB	Stable
NLB Prishtina	NLB Group	Fitch	BB	Stable
Morgan Stanley	Morgan Stanley	Standard and Poor's	A+	Stable

8. Scholarship fund

	30 June 2020	30 June 2019
Scholarship fund payable	162,010	204,312
Total	162,010	204,312

9. Deferred income: Tuition fees

	30 June 2020	30 June 2019
Undergraduate	394,755	266,675
Summer program	80,356	103,685
Graduate	79,582	
TDI	12,543	11,302
Total	567,236	381,662

Deferred income: Tuition fees comprise prepayments made by students for the upcoming classes.

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

10. Accounts payable and accrued expenses

	30 June 2020	30 June 2019
Accounts payable	93,203	100,651
Accrued expenses	17,210	10,387
Total	110,413	111,038

11. Fee income

	30 June 2020	30 June 2019
Undergraduate program	2,555,137	2,577,443
TDI	168,892	294,880
Master program	5,018	18,910
Contribution to scholarship fund	(383,324)	(371,310)
Total	2,350,741	2,519,923

The contribution to scholarship fund is allocated by the Organization to provide scholarships to students who meet certain criteria. Total revenue before contributions is presented in the table above, and contributions to the scholarship funds are deducted from such total, resulting in net revenue recognised during the period.

Revenue from the Institute for Development and Training ("TDI") represent income from trainings offered. TDI is part of the organizational structure of the Organization.

12. Income from special programs and other income

	30 June 2020	30 June 2019
Special Program - Summer Program	109,704	101,522
Special Program – TDI	98,871	119,113
Income from rent	62,387	9,461
Income from sale of books	10,775	9,620
Recoveries from receivables (see note 6)	6,100	18,295
Income from dormitories	5,782	13,510
Late payment fees	70	-
Special Program - USAID TLP	-	221,103
Net gain from disposal of equipment	-	1,414
Special program – Other	-	29,638
Other	47,665	24,254
Total	341,354	547,930

13. Grants and donations income

	30 June 2020	30 June 2019
Grants related to assets released to income (note 5.1)	142,985	68,973
Grants and donations	30,275	41,179
Grants received from related parties (note 23)	10,105	23,056
Total	183,365	133,208

14. Interest income

Interest income of EUR 2,297 (30 June 2019: EUR 6,465) consists of interest earned on deposits and balances with banks.

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

15. Staff salaries and benefits

	30 June 2020	30 June 2019
Academic staff salaries	432,161	465,875
Administrative staff salaries	382,462	475,242
International academic salaries	136,821	157,160
Special program salaries	68,020	139,919
TDI salaries	53,467	48,892
Pension contributions	47,932	54,277
Health insurance	34,336	37,377
Per diem	1,250	1,359
Total	1,156,448	1,380,101

The number of employees as at 30 June 2020 is 79 (30 June 2019: 82).

16. Academic consulting fees

Fees of EUR 761,709 (2019: EUR 783,763) represent amounts paid to the Rochester Institute of Technology (“RIT”), a United States not for profit education institution for undergraduate and graduate programs. These fees are based on the agreement dated 21 January 2013 between the Organization and RIT for the provision of experts and certain educational services provided by RIT to the Organization.

17. Training and Development Institute Direct costs (‘TDI’)

	30 June 2020	30 June 2019
IT, Business and Management Courses	147,770	205,996
Total	147,770	205,996

18. Other operating expense

	30 June 2020	30 June 2019
Depreciation	290,531	218,900
Marketing costs	61,993	90,766
Security costs	59,475	63,394
Special programs/Summer Program	56,421	141,004
Repairs and maintenance	50,808	64,994
Representation	33,706	6,914
Utilities	29,319	33,614
Telephone and internet	23,669	34,200
Audit and legal fees	21,947	13,412
U.S.A. office costs	15,933	3,349
Office supplies	14,592	19,868
Other expenses	11,517	11,273
Property tax and Insurance	11,038	11,151
Bank charges	8,861	12,624
Academic events	5,886	44,376
Energy and fuel costs	5,377	8,893
Travel expenses	3,420	12,120
Admission test fee	2,580	2,344
Faculty housing costs	900	4,500
Total	707,973	797,696

19. Germia campus premises

Pursuant to a Memorandum of Understanding signed between the Organization and the Ministry of Education, Science and Technology of Kosovo, followed by a contract between the Organization and the Municipality of Pristina, the Organization will use the “Germia Campus” educational facility for a period of ten years commencing from 1 July 2005 with the possibility of renewal after the expiry of this term. The contract specifies that the Organization will use the site on a rent-free and tax-free status during this period. The decision to renew the contract for an additional period of fifty years at the end of 2018 was taken by the Assembly of the Municipality of Pristina. As described in Note 2, both the asset and the grant are measured at nominal value, determined by a certified independent external valuation specialist, engaged by the management. The nominal value will be depreciated on a straight line basis over 50 years, which is the term that Municipality has approved.

Furthermore, the renovation and reconstruction of the Germia Campus which was carried out by Mabetex Corporation from February 2005 to October 2005, was performed on a donor basis and the contract between AUK and the Municipality of Prishtina specifies that such renovation shall remain the property of the owner.

Therefore, only costs incurred by the Organization were capitalised and included in leasehold improvements as shown in Note 5.

20. Financial risk management

The risk management function within the Organization is carried out in respect of financial risks, operational risks and legal risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks, while, financial risk comprises from the following:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risks (including currency risk and interest rate risk)

This note presents information about the Organization’s exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework. The Board of Trustees has overall responsibility for the establishment and oversight of the Organization’s risk management framework. The Board is responsible for developing and monitoring the Organization’s risk management policies. The Organization’s risk management policies are established to identify and analyse the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Organization, through management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The management of the Organization performs frequent monitoring over all positions of assets and liabilities, income and expenses, applying the best practices. The management, based on this analysis on profitability, liquidity and the cost of funds, implements measures in respect to credit, market and liquidity risk, thus limiting the possible negative effects from external financial uncertainty. In this way the Organization responds to the challenges of the market environment, maintaining a stable capital and liquidity position.

(a) Credit risk

The Organization takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Organization’s rendering of services on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk management. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks, as shown in Note 7.

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

20. Financial risk management (continued)

The Organization’s maximum exposure to credit risk by class of assets is as below:

	30 June 2020	30 June 2019
Cash and cash equivalents	758,411	419,484
Accounts with AUKF-NY	938,336	1,488,656
Deposits	970,692	421,505
Net accounts receivable and other assets	116,968	122,474
Total maximum exposure to credit risk	2,784,407	2,452,119

The Organization believes that the unimpaired amounts that are past due are still collectible, based on historical payment behavior, ageing and counterparties credit risk. For the ageing of accounts receivable please refer to note 6 “Accounts receivable and other assets”.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations from its financial liabilities.

i. Management of liquidity risk

The Organization’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and severe conditions, without incurring unacceptable losses or risking damage to the Organization’s reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date:

30 June 2020	Contractual cash flows			
	Carrying amount	Up to 6 months	6 to 12 months	Over 1 year
Financial liabilities				
Accounts payables and accrued expenses	110,413	110,413	-	-
Total	110,413	110,413	-	-

30 June 2019	Contractual cash flows			
	Carrying amount	Up to 6 months	6 to 12 months	Over 1 year
Financial liabilities				
Accounts payables and accrued expenses	111,038	111,038	-	-
Total	111,038	111,038	-	-

The long-term payables are based on agreements and related payment schedules agreed with third parties. Management believes that the Organization will be able to repay its liabilities using expected cash inflows generated from its main activity and donations received by different donors.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i. Exposure to foreign exchange risk

Currency risk arises from the change in price of one currency against another. The currency risk is managed through monitoring of open foreign exchange positions. The Organization does not use any derivative instrument to hedge its foreign currency risk. The Organization’s exposure to foreign currency risk as translated in EUR is as follows:

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

20. Financial risk management (continued)

Assets denominated in USD	30 June 2020	30 June 2019
Deposits and accounts with AUKF-NY	786,603	1,336,923
Cash balances with local banks	6,309	35,334
Total exposure to foreign exchange risk	792,912	1,372,257

An analysis of the Organization's sensitivity to an increase or decrease of 5% in the exchange rate for USD is as follows:

Change in surplus/(deficit)	2020	2019
+5% of Euro	39,646	68,553
- 5% of Euro	(39,646)	(68,553)

ii. Exposure to interest rate risk

The Organization generates interest income from short term investments. The Organization does not pay interest on liabilities. Below is the analysis of financial assets and liabilities:

	30 June 2020			30 June 2019		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
Cash and cash equivalents	970,692	1,696,747	2,667,439	421,505	1,908,140	2,329,645
Accounts receivable	-	377,361	377,361	-	353,638	353,638
Total exposure to interest risk	970,692	2,074,108	3,044,800	421,505	2,261,778	2,683,283

A sensitivity analysis to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

Change in surplus/(deficit)	30 June 2020	30 June 2019
100 bp increase	9,707	4,215
100 bp decrease	(9,707)	(4,215)

21. Fair value disclosures

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The tables below show the fair value of financial assets and liabilities not measured at fair value but for which fair value is disclosed as at 30 June 2020 and 30 June 2019:

30 June 2020		Carrying amount	Fair Value
Cash and cash equivalents	7	2,667,439	3,417,411
Accounts receivable	6	377,361	377,361
Total		3,044,800	3,794,772

RIT Kosovo (A.U.K) – College
Notes to the Financial Statements for the year ended 30 June 2020

(amounts in EUR, unless otherwise stated)

21. Fair value disclosure (continued)

30 June 2019		Carrying amount	Fair Value
Cash and cash equivalents	7	2,329,645	2,329,645
Accounts receivable	6	353,638	353,638
Total		2,683,283	2,683,283

Financial assets carried at amortized cost. The fair value of accounts receivable approximates carrying value because of their short-term nature.

Liabilities carried at amortized cost. The fair value of accounts payable is determined using valuation techniques. The estimated fair value is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of accounts payable is approximately equal to their carrying value due to their short term nature.

22. Contingencies and commitments

RIT Kosovo (A.U.K) has no commitments and contingencies as at the year end.

23. Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. AUKF-NY is a not for profit organization which is founded by the Board of the Organization for the purpose of supporting the Organization for developing fundraising campaigns in USA.

Related parties include AUKF–NY, Board of Trustees and key management.

At 30 June 2020 and 2019, the outstanding balances with related parties were as follows:

Balances and transactions with related parties	30 June 2020	30 June 2019
Account with AUKF –NY	938,336	1,488,656
Total	938,336	1,488,656

The income and expense items with related parties for the year ended 30 June 2020 and 2019 were as follows:

Transactions with related parties	30 June 2020	30 June 2019
Grant income	10,105	23,056
Total	10,105	23,056

Key management personnel	30 June 2020	30 June 2019
Personnel costs	151,042	243,272
Total	151,042	243,272

24. Events after the reporting period

No material events subsequent to the reporting date have occurred which require disclosure in the financial statements.